INSTITUT C.D. HOWE INSTITUTE

2011 ANNUAL REPORT

Essential Policy Intelligence

OUR MISSION

The C.D. Howe Institute is an independent not-for-profit organization that aims to raise Canadians' living standards by fostering economically sound public policies. It is a trusted source of essential policy intelligence, with research that is rigorous, evidence-based, and peer-reviewed, recommendations that are relevant, constructive, and timely, and communications that are clear, authoritative and practical.

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Message from the Chairman

Building the Policy Base for Public and Private Prosperity

As a national think tank that derives its funding from universities, associations, individuals and corporations, the C.D. Howe Institute is fortunate to have a broad base of stakeholders from the Atlantic to the Pacific. Add in distinguished authors, presenters and reviewers, exceptional staff, and dedicated policy council members, and the result is consistent, year-over-year policy impact. We simply could not succeed without member support and involvement.

The Institute's annual report this year tells three key stories:

First, the Institute contributed to evidence-based policy dialogue across Canada, undertaken in an off-the-record, constructive climate. A quick scan of news media shows how rare this is on the world stage.

Second, the Institute's friends supported us at record levels. Many members increased their contributions, often without being asked. All of these, from small personal gifts to major personal or organizational commitments, had a huge impact on the breadth, scope, and quality of our policy work.

Third, we continued to work very hard to provide value to our members and supporters. The Institute's 2011 activities were driven by a comprehensive, strategic program to improve member engagement and build the Institute's profile.

In Toronto, we expanded the Osler, Hoskin & Harcourt Lecture Hall to accommodate the growth in our policy events. The expanded Hall is significantly more comfortable, and has enabled us to bring some off-site events back to the Institute, promoting a better atmosphere for discussion.

As part of our outreach strategy, we launched a new program to hold signature annual events in key Canadian centres. On the policy side, we launched major new programs in healthcare reform and international economics and trade.

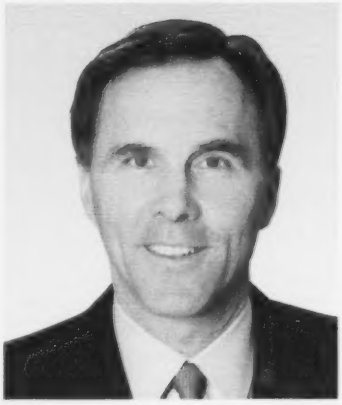
This 2011 Annual Report provides visual evidence of the Institute's now-completed rebranding program, which created a new brand for the Institute around the concept of "Essential Policy Intelligence," a new visual identity, and a new website – all consistent with the Institute's role as Canada's most respected economic policy think tank.

I want to give special thanks to the Institute's President & CEO, Bill Robson, whose appointment to a second five-year term in 2011 testifies to the Board's confidence in his drive and intellectual leadership. Duncan Munn, the Institute's Senior VP & COO, played a critical behind the scenes role in planning and executing the Institute's major endeavours. Special thanks are also due to the senior scholars who play such an important role in our research and conferences and to the Institute's staff and executive.

I also want to acknowledge Edmund Clark, Laurence Pollock, and David Mondragon, who stepped down from the Board in 2011, and thank them for their important contributions.

Looking ahead, the Institute's challenge is to continue to provide policy leaders with trusted, definitive policy intelligence and recommendations. The Institute's policy research is but one facet of this activity. Equally important is its national outreach and the unique role it plays in helping to build pragmatic consensus around key policy issues.

These are challenging times for all of us, and we on the Institute's Board of Directors are proud of our organization's contributions to finding solutions. Thank you for your investment in a stronger environment for public and private prosperity in Canada.



William Morneau
Chair, C.D. Howe Institute

"Looking ahead, the Institute's challenge is to continue to provide policy leaders with trusted, definitive and essential policy intelligence and recommendations."

Message from the President & CEO

Sound Economic Policies Are Vital to Growth

William B.P. Robson
President and CEO

Canada's experience in the three years since the global economic crisis has been better than many of its developed-country peers – which shows, as do the fraught prospects in many parts of the world – how vital good economic policies are to sustained growth.

This knowledge inspired the C.D. Howe Institute to strengthen its substantive, evidence-based contributions to smart public policy in 2011. Governments of all stripes tell us consistently that this input is vital – that non-partisan research based on facts, and substantive, frank policy discussions are critical to effective policymaking.

The Institute's new strategic plan envisions an organization that is more effective yet in levering quality research, effective communication, and authoritative recommendations to promote economic dynamism and prosperity across Canada.

We made impressive strides on these objectives in 2011:

- We recruited Don Drummond as co-chair of the Institute's Fiscal and Tax Competitiveness Council, alongside William A. MacKinnon, FCA. Under Bill MacKinnon and Robert D. Brown, FCA, former co-chair, it has supported work that held governments at all levels to account for their stewardship of public funds, their balance sheets, and their progress in ensuring that taxes do not gratuitously discourage work, saving, and investment.
- We worked with business, policy and academic leaders to foster Canada's international engagement and the competitiveness of Canadian enterprises at home and abroad. The Hon. Michael H. Wilson took the Chair of the Institute's new International Economic Policy Council, and Daniel Schwanen returned to the C.D. Howe Institute as Associate Vice President, Trade and International Policy, to steer our efforts in this area.
- We continued to help Canadians prepare for demographic change, including progress toward solid, sustainable retirement programs. The Institute's Pension Policy Council, co-chaired by Nick Le Pan and Claude Lamoureux, shaped debate and influenced policy developments on such subjects as government employee pensions, continued development of Pooled Registered Pension Plans, and more generous tax treatment of retirement saving.
- We launched a major health policy reform program. Highlights included an inaugural event in April 2011 featuring a study by David A. Dodge and Richard Dion that helped shape debate in the subsequent federal election, and the 2011 Benefactors Lecture by Don Drummond: "Therapy or Surgery? A Prescription for Canada's Health System" – work that fed into Don's report to the Ontario government on fiscal reform.
- Our Monetary Policy Council and Financial Services Research Initiative continued to influence policy in two areas where Canada has secured a critical competitive advantage in comparison to its G7 peers.

"The Institute's new strategic plan envisions an organization that is more effective yet in levering quality research, effective communication, and authoritative recommendations to promote economic dynamism and prosperity across Canada."

2011 marked my fifth year as President and CEO of the Institute. Notwithstanding the challenging economic circumstances during the latter half of this period, the Institute has steadily increased the number, range and quality of its research studies, broadened its internal talent and outside fellowships, become more national in scope, and strengthened its membership base. It is a pleasure to acknowledge my colleagues, the Institute's Board of Directors, and the many leaders in business, public service and academia who contribute to our efforts – and, of course, the members, subscribers and donors whose support and involvement makes it all possible. With your help, we are building a stronger environment for public and private prosperity in Canada, in the months ahead, and for generations to come.

Message from the Senior Vice President & COO

Strengthening the Scope, Scale and Impact of the Institute's Policy Work in 2011

Continuing growth in member support and donations enabled the Institute to make disciplined investments aimed at strengthening its research capacity, improving member services, and strengthening its ability to communicate internally and externally. Membership contributions and institutional subscriptions continued their post-recession growth, surpassing $3 million for the first time since the 2008 financial crisis. Overall contributions and subscriptions grew by nearly 11 percent in 2011, relative to 2010.

Support from our subscribers and members, and active participation by policy and business leaders, authors, and senior scholars across Canada, enabled the Institute to grow the scope, scale, and impact of its policy work in 2011:

1. The Institute completed a major rebranding program in 2011. The Institute's logo was refreshed, and a new tagline, *Essential Policy Intelligence*, was developed after extensive member consultation and testing. The Institute also launched a new website at **www.cdhowe.org** and commenced work on a new social media plan being implemented in 2012.
2. The Institute expanded significantly the Osler, Hoskin & Harcourt Lecture Hall. The growth in roundtable attendees has been a double-edged sword in recent years, increasing participation at the cost of leaving some guests feeling crowded. It also forced the Institute to hold some roundtables and conferences off-site at considerable expense. The expanded Osler Lecture Hall is significantly more comfortable, and its increased size has enabled us to bring some off-site events back to the Institute, which will promote a better atmosphere for discussion, and save money.
3. The Institute entered the home stretch in matching Alfred Wirth's $1.05 million challenge grant for the Endowment for Special Studies. This $2.1 million endowment will be completed in 2012, and will strengthen the Institute's policy work in key areas.
4. The Institute increased the quality and quantity of member events in key centres across Canada. Highlights included the creation of new signature events in Montreal, Calgary and Toronto.
5. The Institute's endowments passed the $4 million mark. This achievement was due to the success of the Wirth challenge program/Endowment for Special Studies, Monetary Policy Endowment, Sylvia Ostry Endowment, Mintz Lecture Endowment, and donations from other sources.

All of these initiatives helped advance the Institute's research agenda and increase the effectiveness of its policy work. The new initiatives discussed in this report could not have taken place without strong and loyal member support, the involvement of policy leaders and scholars, and the hard work and expertise of my colleagues at the Institute. Thank you all, for helping us make a positive contribution to Canada's future through the development of smart and effective public policies.

Duncan Munn
Senior VP and COO

"Support from our subscribers and members, and active participation by policy and business leaders, authors, and senior scholars across Canada, enabled the Institute to grow the scope, scale, and impact of its policy work in 2011."

The Institute's 2011 Research Mission

The 2011 Research Agenda

Finn Poschmann
Vice President, Research

C.D. Howe Institute research made a multi-faceted contribution to Canadian policymaking in 2011: output included 52 research publications; 42 roundtables, conferences and policy events; and eight Monetary Policy Council recommendations. Financial markets, stability, and regulation were major themes; so too were monetary policy and inflation targeting, housing, health policy, pensions, energy, and environmental policy. Underlying all this activity was the Institute's mission to improve the living standards of Canadians through rigorous, independent, peer-reviewed public policy research.

This work depends on the generous support of our members, the participants in the Institute's advisory groups, and the expertise and experience of our authors. We are also grateful to the myriad of scholars, fellows, and government and business policy leaders across Canada who review and referee the Institute's publications and contribute their insight and expertise.

The research team that coordinates the Institute's work, which in 2011 featured Philippe Bergevin, Colin Busby, Ben Dachis, Alexandre Laurin, and Daniel Schwanen, as well as William Robson, relies on the executive assistance of Kristine Gray. The Institute's Editor and Vice President of Media James Fleming, and desktop designer Yang Zhao play a key role in ensuring the quality of Institute publications. We thank as well the Institute's members, and our public and private sector colleagues, for their engagement and their support of the Institute's policy research program.

Finn Poschmann

"This work depends on the generous support of our members, the participants in the Institute's advisory groups, and the expertise and experience of our authors."

The research team: from left,
Senior Policy Analyst, **Benjamin Dachis**; Senior Policy Analyst, **Philippe Bergevin**;
Senior Policy Analyst, **Colin Busby**; Senior Coordinator, Research and Executive
Assistant to the Vice President, Research, **Kristine Gray**;
Associate Vice President, **Daniel Schwanen**; Vice President, Research, **Finn Poschmann**;
Research Intern, **Robbie Brydon**, and Associate Director of Research, **Alexandre Laurin**.

Fiscal and Tax Policy in 2011

More than two years after the 2008/09 recession, chronic balance-sheet problems around the world and particularly in Europe and the United States continue to impede Canada's economic prospects and fiscal health.

Fiscal and tax competitiveness is a core priority for the Institute's policy work: in 2011, the Institute recruited noted economist Don Drummond to succeed Robert D. Brown, FCA, as co-chair of the Institute's Fiscal and Tax Competitiveness Council (William A. MacKinnon, FCA, continues as co-chair). Founded in 2005, the Council holds governments across Canada to account for their stewardship of public funds, their balance sheets, and their progress in ensuring that taxes do not gratuitously discourage work, saving, and investment.

Early in 2011, Alexandre Laurin and William Robson laid out a "Shadow Budget" that set out a five-point spending restraint plan for getting federal debt back on a downward track before an aging population puts increased pressure on government finances.

The necessity of tackling the federal deficit through spending restraint rather than tax increases was made clear by Bev Dahlby and Ergete Ferede, who compared the economic costs of the provinces' corporate, personal and sales tax bases. The conclusion: corporate income tax increases are the most, and sales taxes the least, costly revenue source.

The Institute's research also looked at the effect of income-tested credits and benefits on personal marginal effective tax rates (METR). Alexandre Laurin and Finn Poschmann showed that Quebecers face the worst tax bite on take-home pay in the country while, in Ontario, many low-to-middle-income families with children have seen their METRs soar past the 50 percent mark. METRs are generally lower in Canada's Western provinces than in the rest of country.

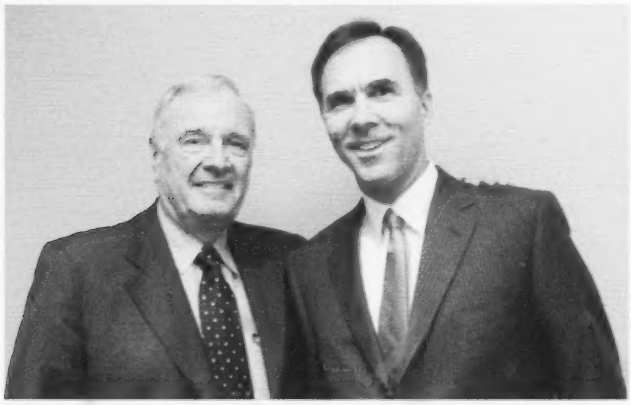
In Alberta, royalties and auction payments (bonus bids) constitute the main government sources of oil and gas revenues. When provinces raise royalties charged on oil and gas production, the result can be less, not more tax revenues, according to research by Colin Busby, Benjamin Dachis and Bev Dahlby. Their study, a groundbreaking application of Geographic Information Systems in public finance research, showed how resource-rich provinces would be better off relying more on auctions of development rights and less on output royalties.

The 2011 federal election featured a far-reaching proposal by a major political party to allow income splitting for two-parent families. Alexandre Laurin and eminent tax scholar Jonathan Rhys Kesselman concluded that this proposal would create more inequalities in the tax system rather than fewer, creating more losers than winners.

Over the course of 2012, fiscal pressures will weigh ever more heavily on Canadian governments, and their taxpayers. Shrewd analysis, and prudent policy, will be keenly needed.

The Hon. Jean Charest, Premier of Québec, spoke at an Institute roundtable in Montreal on "Québec – At the Right Place, at the Right Time."

Michael Horgan, Deputy Minister, Finance Canada, with **Jason Henderson**, Treasurer and Co-Head of Global Markets for HSBC Bank Canada. Mr. Horgan was at the Institute to deliver the 2011 Mintz Economic Seminar, sponsored last year by HSBC.



The Right Honourable **Paul Martin** with Institute Chair **Bill Morneau**. Former Prime Minister Martin spoke on "Aboriginal Canadians – Educating the Youngest, Fastest-growing Segment of our Population."

FISCAL AND TAX COMPETITIVENESS COUNCIL IN 2011

CO-CHAIRS

Don Drummond, Matthews Fellow in Global Public Policy, Queen's University

William A. MacKinnon, FCA

Robert D. Brown, FCA

MEMBERS

Albert Baker, Senior Tax Partner, Deloitte & Touche LLP

Tracey Ball, Executive VP & CFO, Canadian Western Bank

Richard M. Bird, University of Toronto

Fiona Cook, Chemistry Industry Association of Canada

Nancy Cuelenaere, Executive Director, Tax Policy, Alberta Finance and Enterprise

Bev Dahlby, Department of Economics, University of Alberta

David Daly, Manager, Fiscal Policy, Canadian Association of Petroleum Producers

Steven Easson, Vice President and Chief Actuary, Canadian Life and Health Insurance Association Inc.

Ross Hagemeister, Director of Tax – Canada, Cargill Limited

Gabriel J. Hayos, The Canadian Institute of Chartered Accountants

Paul Hickey, Partner-in-Charge, National Tax, KPMG LLP

Brenda Kenny, President, Canadian Energy Pipeline Association

Jonathan Rhys Kesselman, Simon Fraser University

George McAllister, Executive Director of Tax Policy, Department of Finance, Province of New Brunswick

Kenneth J. McKenzie, Department of Economics, University of Calgary

Carman R. McNary, Partner, Fraser Milner Casgrain LLP

James B. Milway, Executive Director, The Institute for Competitiveness and Prosperity

William Molson

Al Monaco, President, Enbridge Inc.

Luc Monty, Assistant Deputy Minister, Budgetary Policy and Economics, Québec Ministère des Finances

Blair Nixon, Chief Financial Officer, Walton Global Investments Ltd.

Michael J. O'Connor, Senior Vice President, Tax, Sun Life Financial Inc.

Nick Pantaleo, Leader, Canadian National Tax Services, PwC

Jocelin Paradis, Vice President, Taxation Canada, Rio Tinto Alcan

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Ted Tomkowiak, Senior Vice President, Taxation, RBC

Geoff Trueman, Director, Business Income Tax Division, Department of Finance Canada

Thomas A. Wilson, Senior Advisor, Institute for Policy Analysis, University of Toronto

Monetary Policy in 2011

The Institute increased its focus on monetary policy and macroeconomic-related research in the wake of the 2008 global financial crisis for two key reasons: the importance of monetary stability to national prosperity, and the increased volume of requests for information and policy advice from governments, the private sector and media. The creation of the Institute's Monetary Policy Endowment, formally launched in 2010, provided the Institute with additional resources to fulfill its responsibilities in both of these areas.

Demand for the Institute's monetary policy research remained high throughout 2011, not least because of the renewal of the agreement between the Bank of Canada and the federal government on Canada's inflation-targeting regime.

Canadian monetary policymakers were in a difficult position for much of 2011, with relatively gloomy economic conditions abroad contrasting with more favourable conditions at home. In separate policy papers, David Laidler and Michael Parkin provided analyses of the policy choices facing the Bank of Canada and made recommendations on how to return monetary policy to a more normal state of affairs. Pierre Duguay and Paul Jenkins, former Deputy and Senior Deputy Governor at the Bank of Canada, writing with Philippe Bergevin, released a study that drew lessons from the recent financial crisis for the conduct of monetary policy.

Finally, the Institute's Monetary Policy Council continued to provide policy advice to the Bank of Canada. The Council, composed of 12 of Canada's most distinguished financial market and monetary economists, provides a regular independent assessment of Canadian monetary policy to the Bank of Canada, financial-market participants and economic policy commentators.

While the economic outlook for Canada and the world has brightened in some respects, much uncertainty remains as to the sustainability of the current economic recovery. Events abroad and foreign exchange pressures are sure to be considerations for monetary policy in Canada in 2012.

MONETARY POLICY COUNCIL IN 2011

CHAIR, William B.P Robson

MEMBERS

Steve Ambler, Université du Québec à Montréal (UQAM)

Edward A. Carmichael, Ontario Municipal Employees' Retirement System (OMERS)

Sheryl King, BofA Merrill Lynch Global Research

Thorsten Koeppl, Queen's University

Angelo Melino, University of Toronto

Doug Porter, BMO Capital Markets

Christopher Ragan, McGill University and David Dodge Chair in Monetary Policy, C.D. Howe Institute

Nicholas Rowe, Carleton University

Avery Shenfeld, CIBC World Markets Inc.

Pierre Siklos, Wilfrid Laurier University

Andrew Spence, TD Securities

Craig Wright, RBC Financial Group

International Economic Policy in 2011

Even as the World Trade Organization's Doha round of multilateral talks faltered, global economic integration continued apace in 2011. Accordingly, the Institute launched a new program focused on international economic policy. The program will support and publish research in three areas: fostering Canada's competitiveness; strengthening relations with Canada's trade and investment partners; and helping Canadian businesses and governments navigate the global marketplace.

Guiding the program's work is the new C.D. Howe Institute International Economic Policy Council, chaired by the Honourable Michael Wilson, Chairman of Barclays Capital Canada Inc. He has had wide experience in both the private and public sectors – most notably as former Federal Minister of Finance and Minister for International Trade, and Ambassador to the United States. The Council is gathering top trade experts, policy leaders, and business executives engaged in international business and policymaking. Award-winning economist Daniel Schwanen re-joined the Institute in 2011 to direct the program's research.

The Institute also bolstered its capacity in providing international economic policy advice with the appointment of two Senior Fellows: Lawrence Herman, Associate Counsel specializing in international trade and business issues, and Dr. John Curtis, former Chief Economist at the Department of Foreign Affairs and International Trade.

Among the resulting research: Dr. Wendy Dobson, professor at the Rotman School of Management and Research Fellow at the Institute, contended that while Canada and India can benefit economically from their warming relationship, a strategic approach and political will are needed to overcome differences that limit the comprehensive economic partnership they are seeking.

Daniel Schwanen analyzed how key elements of the new Canada-US Perimeter Security and Economic Competitiveness Action Plan can come together to improve beneficial access to the North American market. Elsewhere, he urged governments to sustain a high level of market-opening ambition in the prospective Canada-EU Comprehensive Trade and Economic Agreement negotiations, making recommendations on how to do so in specific areas under negotiation.

The Institute was at the forefront of the debate on restrictions on foreign takeovers and foreign ownership in key Canadian sectors. Philippe Bergevin and Daniel Schwanen showed why Canada needs to scrap the "net benefit test" in the *Investment Canada Act* that restricts inbound foreign investment. They recommended implementing a broader, more transparent foreign investment review regime.

The international program has as a core mission to strengthen the dialogue between business, experts and governments on cross-border trade, investment and related issues. To contribute to this dialogue, the program includes a rich series of workshops, roundtables and other events to enhance participants' understanding of policy choices facing Canada on complex international issues. Notable speakers on international issues in 2011 were India's Commerce Secretary, Rahul Kullar; Canada's Ambassador to the United States, Gary Doer; Canada's Deputy Minister for International Trade, Louis Lévesque; and Canada's Ambassador to France, Marc Lortie.

The Hon. Darrell Dexter, Premier of Nova Scotia, spoke at the Institute on "Atlantic Canada's Energy Future."

Economic Growth and Innovation in 2011

The past year marked a turning point in Canada's debate on economic growth, productivity and innovation as governments began showing the resolve needed to boost Canada's anemic economic growth and investment in innovation.

Mark Parsons showed the path forward for reforming Canada's tax support for business research and development, while Serge Coloumbe, Colin Busby and William Robson published a thorough analysis of which Canadian provinces are lagging in labour productivity and capital investment per worker.

The Institute's Competition Policy Council, which convenes the competition field's most distinguished legal and economic minds, argued that it is time to end foreign ownership restrictions in the Canadian telecommunications sector. In its second meeting, the Council called on the Competition Bureau to better define and clarify its view on when ordinary business practices or strategic alliances should or should not be treated as offences to be subject to civil review or criminal prosecution.

As the debate in Ontario's provincial election hinged on electricity policy, Benjamin Dachis, Donald Dewees and Jan Carr discussed the high cost to consumers of the province's subsidized renewable electricity, and showed how current policy causes consumers to pay for costly electricity they do not need.

Financial services, too, are central to growth and innovation, and the Financial Services Research Initiative, chaired by Edward Neufeld, leads the Institute's work on financial sector, regulatory and market matters. The research program responded to the crucial issues surrounding financial crisis and recovery, with publications focusing on housing finance, the asset-backed securities market, derivatives clearing, shadow banking, the payments system, and bank capital. A key highlight was a major conference in September 2011 on the organization and performance of Canada's payments system.

THE FINANCIAL SERVICES RESEARCH INITIATIVE IN 2011

CHAIR, Edward Neufeld

MEMBERS

Lalit Aggarwal, Manor Park Capital Advisors

James C. Baillie, Torys LLP

Andrew D. Brands, The Great-West Life Assurance Company

Zurich Canadian Holdings Ltd.

Terry Campbell, Canadian Bankers Association

Bryan Davies, Canada Deposit Insurance Corporation

James C. Davis, Ontario Teachers' Pension Plan

Patrick Deutscher, Ontario Ministry of Finance

Peter Drake, Fidelity Investments

Janet Ecker, Toronto Financial Services Alliance

Steven Ehrlich, Canada Mortgage and Housing Corporation

Walter Engert, Office of the Superintendent of Financial Institutions, Canada

Mary Filippelli, KPMG LLP

Charles Freedman, Carleton University

Blake C. Goldring, AGF Management Limited

Mathias Hartpence, Sun Life Financial Inc.

Warren J. Jestin, Scotiabank

Brenda Leong, British Columbia Securities Commission

David Longworth, Carleton University

David McGown, Canadian Imperial Bank of Commerce

Howie Millard, TD Bank Financial Group

Jane Pearse, Department of Finance Canada

David Phillips, Credit Union Central of Canada

Greg Pollock, Advocis

Paul Rooney, Manulife Canada

Jos Schmitt, Alpha Group

Pierre Siklos, Wilfrid Laurier University

Paul G. Smith, Equity Financial Holdings Inc.

Frank Swedlove, Canadian Life and Health Insurance Association Inc.

Murray J. Taylor, IGM Financial Inc.

Eric Tuer, Bank of Canada

Peter Vukanovich, Genworth Financial Canada

Susan Wolburgh Jenah, Investment Industry Regulatory Organization of Canada

Craig Wright, RBC Financial Group

COMPETITION POLICY COUNCIL IN 2011

MEMBERS

George N. Addy, Partner, Head of Competition and Foreign Investment Review, Davies, Ward Phillips & Vineberg LLP. Director of Investigation and Research, Competition Bureau, 1993-1996.

Marcel Boyer, Bell Canada Professor Emeritus of Industrial Economics, Université de Montréal, and Fellow of CIRANO.

Timothy Brennan, Professor, Public Policy and Economics, University of Maryland Baltimore County. T.D. MacDonald Chair of Industrial Economics, Competition Bureau, 2006.

Neil Campbell, Partner, Competition and Trade Law, McMillan Binch LLP.

Jeffrey R. Church, Professor of Economics, University of Calgary. T. D. MacDonald Chair of Industrial Economics, Competition Bureau, 1995-1996.

Brian Facey, Co-Chair of Competition, Antitrust & Foreign Investment Group, Blake Cassels & Graydon LLP.

Adam F. Fanaki, Partner, Competition and Foreign Investment Review and Litigation, Davies, Ward Phillips & Vineberg LLP.

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Lawson A. W. Hunter Q.C., Head of Competition/Antitrust Group, Stikeman Elliott LLP. Director of Investigation and Research, Competition Bureau, 1981-1985.

Donald McFetridge, Professor of Economics, Carleton University. T.D. MacDonald Chair of Industrial Economics, Competition Bureau, 1992-1993.

Margaret Sanderson, Vice President, Practice Leader of Antitrust & Competition Economics, Charles River Associates.

Roger Ware, Professor of Economics, Queen's University. T.D. MacDonald Chair of Industrial Economics, 1993-1994.

Lawrence J. White, Robert Kavesh Professor of Economics, Stern School of Business, New York University.

Ralph A. Winter, Canada Research Chair in Business Economics and Public Policy, Sauder School of Business, University of British Columbia.

Social Policy in 2011

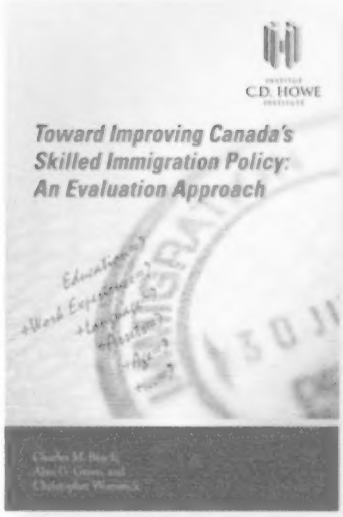
As the federal and provincial governments rein in spending and aging babyboomers demand more health services, Canada's healthcare system faces unprecedented challenges. In 2011, the Institute's researchers highlighted options for fiscal sustainability and identified areas to improve value-for-money in healthcare.

David Dodge and Richard Dion dissected inexorably rising healthcare costs in Canada and encouraged policymakers to understand the economic factors driving these projections. In November, economist Don Drummond outlined practical policy options for healthcare reform at the 2011 Benefactors Lecture, including patient-centric system reorganization and financing mechanisms that reward quality care. In addition, Colin Busby and Bill Robson published a paper on how public drug plans could be placed on a more secure financial footing through the creation of a partially pre-funded social insurance option.

Education policy was also a strong focus in 2011. John Richards, Fellow-in-Residence and Roger Phillips Social Policy Scholar, published work focusing on the high levels of male and aboriginal dropouts, particularly in Quebec, drawing policymakers' attention to major shortcomings in Canada's education systems.

Jobs and unemployment are also a major social policy concern – and the Institute was actively researching ways to help improve job prospects. In *Toward Improving Canada's Skilled Immigration Policy: An Evaluation Approach*, Charles Beach, Alan Green and Christopher Worswick examined the Federal Skilled Worker Program's role in attracting the world's best and brightest to Canada. This policy study showed how the points system for evaluating skills of potential migrants – particularly for language fluency, age, and trades skills – can be reformed for a better occupational and skills mix among incoming workers.

Other social policy research in 2011 examined how the financial incentives of Canada's Employment Insurance (EI) program produce disincentives for labour mobility. On this score, the research argued for eliminating EI's geographically-linked entrance and benefit requirements.



The Institute's groundbreaking study of immigration policy reform, *Toward Improving Canada's Skilled Immigration Policy: An Evaluation Approach*, was shortlisted for the 2011/12 Donner Prize. The book, by Charles M. Beach, Alan G. Green and Christopher Worswick, was one of four finalists for the prize at press time. Work published by the C.D. Howe Institute has won more research awards than any other independent Canadian think tank.

Ken Lewenza, President of the Canadian Auto Workers, spoke to Institute members in March 2011 on "What is the Private Sector's Responsibility to Pull Canada Out of Recession?"

Governance and Public Institutions in 2011

Factors that determine whether a business or nation will flourish include the institutional structure and quality of governance. The organization of government and its institutions, and the incentives they create, have an enormous impact on citizens' quality of life. Policy concerns in these areas drove the Institute research portfolio in governance and public institutions in 2011.

An aging society creates many pressures on government, and income security, savings, and pension policy are among the pressure points. The Pension Policy Council, co-chaired by Claude Lamoureux and Nick Le Pan, steers the Institute's pensions research. In 2011, the program produced research on the Canada Pension Plan, public service pensions, options for facilitating private retirement savings, and the policy issues posed by pooled private plans.

The Institute also focused strongly on fiscal accountability, and on the ability of governments to meet their spending and revenue plans. The range of performance is startling: research by Colin Busby, Benjamin Dachis and Bill Robson showed that some cities and provinces perform remarkably well, and consistently so, while others simply do not.

The Institute also pursued new work on water policy. Elizabeth Brubaker reported on how to finance and deliver high quality drinking water – governance and reporting is key. Meanwhile, James Bruce authored a masterful overview of groundwater and related policy questions – a poorly understood resource, and one which deserves policy attention. Water policy research will continue into 2012.

Public institutions matters too when it comes to government regulation of markets, and the Canadian Wheat Board stood as a prime example. Richard Pedde and Al Loyns argued that the Board has outlasted its usefulness, and made the case that grains markets had matured to a self-managing point; the Board's official role has now changed in a way that would have not been imaginable just a few years ago.

The bottom line is that institutions and their mandates matter, and the Institute's governance-oriented research has a rich future.

PENSION POLICY COUNCIL IN 2011

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Barbara Zvan, Ontario Teachers' Pension Plan

2011 Events at a Glance

ROUNDTABLES IN 2011

January – March 2011

Richard L. George, President & CEO, Suncor Energy Inc. *Canada's Oil Sands: Fuel for the Future* (Toronto)

John G. Rice, Vice Chairman, GE and President and CEO, GE Global Growth and Operations *Global Growth Markets – Country Leadership and Business Investment in the Next Decade* (Toronto)

Louis Vachon, President & CEO, National Bank of Canada. *Canadian Financial Services Landscape: Key Challenges and Opportunities* (Montreal)

Richard E. Waugh, President & CEO, Scotiabank and **Nicholas Le Pan**, Former OSFI Superintendent. *Basel III – Will it Work?* (Toronto)

The Hon. Ted Morton, Former Alberta Minister of Finance and Enterprise. *Alberta's Fiscal Reality: A Candid Assessment* (Calgary)

General Walter Natynczyk, Chief of Defence Staff, Department of National Defence. *Key Issues Facing Canadian Defense Policy* (Toronto)

The Hon. Darrell Dexter, Premier, Province of Nova Scotia. *Atlantic Canada's Energy Future* (Toronto)

The Hon. Jean Charest, Premier, Province of Quebec. *Quebec: At the Right Place, At the Right Time* (Montreal)

José Viñals, Director, Monetary and Capital Markets Department, International Monetary Fund. *Global Financial Stability: Still at Risk* (Toronto)

Janice Gross Stein, Director, The Munk School of Global Affairs, University of Toronto. *The Arab Spring – The Global Implications* (Toronto)

Ken Lewenza, President, Canadian Auto Workers Union. *What is the Private Sector's Responsibility to Pull Canada Out of Recession?* (Toronto)

April – June 2011

Mark White, Assistant Superintendent, Regulation Sector, Office of the Superintendent of Financial Institutions Canada; and **Pierre Duguay**, former Deputy Governor, Bank of Canada. *Basel III and The Way Forward* (Toronto)

Sponsored by Equity Financial Holdings Inc.

Peter Wallace, Deputy Minister and Secretary of the Treasury Board, Ontario Ministry of Finance. *Ontario Post Budget Briefing* (Toronto)

George Cope, President and CEO, BCE Inc. *Building Canada's Broadband Future* (Toronto)

David Dodge, former Governor, Bank of Canada, and **Richard Dion**, Senior Business Advisor, Bennett Jones LLP. *Launch of the C.D Howe Institute Healthcare Policy Initiative* (Toronto)

The Hon. John Milloy, Minister, Ministry of Training, Colleges and Universities, Government of Ontario. *Path to Prosperity: Postsecondary Education and Market Trends* (Toronto)

Tye Burt, President & CEO, Kinross Gold. *Canada in the Global Economic Food Chain: Our Time Has Come* (Toronto)

Thomas Kloet, President & CEO, TMX Group. *Creating Opportunity to Build Canada's Capital Markets* (Toronto)

Howard I. Wetston, Chair, Ontario Securities Commission. *Systemic Risk in Financial Markets: The Role of the Securities Regulator* (Toronto)

R.T. Macklem, Senior Deputy Governor, Bank of Canada. *The Global Financial Stability Agenda: What It Means for Canada's Monetary Policy* (***David Laidler Roundtable,*** Toronto)

Dr. Robert S. Bell, President & CEO, University Health Network. *Canada's Research Hospitals: Achieving Cures, Value and Jobs* (Toronto)

Don Stephenson, Assistant Deputy Minister, Trade Policy & Negotiations, Department of Foreign Affairs & International Trade Canada. *The State of Canada's Trade Negotiations – If You're Standing Still, You're Falling Behind* (Toronto)

July – September 2011

Neil Yeates, Deputy Minister, Citizenship and Immigration Canada. *The Changing Face of Canadian Immigration – Challenges and Opportunities* (Toronto)

October – December 2011

David Hale, President, David Hale Global Economics. *What's Next? Unconventional Wisdom on the Future of the Global Economy* (Toronto)

The Right Hon. Paul Martin. *Aboriginal Canadians – Educating the Youngest, Fastest-growing Segment of our Population* (Toronto)

Marc Lortie, Ambassador to France from Canada. *France and Europe – Why They Matter to Canada* (Toronto)

Marc Laliberté, President and Chief Executive Officer, VIA Rail Canada Inc. *Transforming the Future of Passenger Rail in Canada* (Montreal)

Dr. Harvey P. Weingarten, President & CEO, Higher Education Quality Council of Ontario. *The Diminishing Quality and Competitiveness of Ontario's Universities – Can the System be Fixed?* (Toronto)

Rahul Khullar, Commerce Secretary, Government of India. *Trade Liberalization, FTAs and Opening Up – The Indian Experience* (Toronto)

Charles M. Beach, Professor of Economics, Queen's University. *Toward Improving Canada's Skilled Immigration Policy: An Evaluation Approach* (Toronto Book Launch)

The Hon. David Alward, Premier of New Brunswick, spoke at an Institute roundtable on "growing innovation."

Former Manitoba Premier and current Canadian ambassador to the United States, **Gary Doer**, spoke at a special policy dinner in Calgary in October 2011. Among the policy leaders in attendance were Alberta Premier **Alison Redford** (with Ambassador Doer) and **Danielle Smith**, leader of the Wildrose Alliance Party of Alberta. The event was sponsored by GE.

Richard L. George, President & CEO, Suncor, speaking at a Toronto Roundtable on "Canada's Oil Sands: Fuel for the Future."

Nick Le Pan, former Superintendent of the Office of Superintendent of Financial Institutions and Co-Chair of the Institute's Pension Policy Council, spoke with Richard E. Waugh, President & CEO, Scotiabank, on "Basel III: Will It Work?"

Don Drummond, Matthews Fellow/Distinguished Visiting Scholar, Queen's University, Co-Chair, C.D. Howe Institute Fiscal and Tax Competitiveness Council, *Lessons from the Commission on the Reform of Ontario's Public Services* (Toronto)

Hon. David Alward, Premier of New Brunswick, *Growing Innovation* (Toronto)

The Hon. Robert D. Nicholson, Q.C., P.C., M.P., Minister of Justice and Attorney General of Canada, *Canada's New Crime Bill* (Toronto)

William Doyle, President and CEO, Potash Corporation of Saskatchewan, *PotashCorp – A Global Company Made in Canada* (Saskatoon)

Gregg Saretsky, President and Chief Executive Officer, WestJet, *Is it a Sin to Fly? The Tax Take on Canada's Aviation Industry* (Toronto)

The Hon. Lisa Raitt, Minister of Labour, *Labour Relations and Contemporary Economic Realities in Canada* (Toronto)

Tom Mitchell, President and CEO, Ontario Power Generation, *Ontario Power Generation and the Challenges of Change* (Toronto)

Mark Adelson, Chief Credit Officer and Managing Director, Standard & Poor's Corporation, *Standard & Poor's: Changes to the rating process and the regulatory environment in the wake of the financial crisis* (Toronto)

MAJOR POLICY CONFERENCES IN 2011

Strengthening Charity Finance in Canada

Presenters included: **Adam Aptowitzer**, Partner, Drache Aptowitzer LLP; **Tim Brodhead**, President & CEO, The J.W. McConnell Family Foundation; **Malcolm Burrows**, Head, Philanthropic Advisory Services, Scotia Private Client Group; **Terrance Carter**, Managing Partner, Carters; **Ben Dachis**, Policy Analyst, C.D. Howe Institute; **George A. Fierheller**, Chair, C.D. Howe Institute Charities Advisory Committee; **Marcel Lauzière**, President & CEO, Imagine Canada; **Susan Manwaring**, Partner, Miller Thomson LLP; **Adam Parachin**, Professor, Western Law, The University of Western Ontario; **William B. P. Robson**, President & CEO, C.D. Howe Institute. (Toronto)

Consolidating Gains, Recouping Losses: The Future of Corporate Group Taxation

Presenters included: **Albert Baker**, Senior Tax Partner, Deloitte; **Alycia Calvert**, Tax Partner, Ernst & Young; **Larry Chapman**, Executive Director and Chief Executive Officer, Canadian Tax Foundation; **Robert Couzin**, Counsel, Couzin Taylor LLP; **Brian Ernewein**, General Director, Tax Policy Branch, Department of Finance Canada; **Warren Dick**, Partner, PwC Australia; **Len Farber**, Senior Advisor, Ogilvy Renault LLP; **Richard Harvey**, Distinguished Professor of Practice, Villanova University School of Law and Graduate Tax Program; **Gabe Hayos**, Vice-President, Taxation, The Canadian Institute of Chartered Accountants; **Elaine Marchand**, Vice-President, Planning and Tax Risk and Tax Counsel, National Bank Financial Group ; **Jack Mintz**, Palmer Chair in Public Policy, University of Calgary; **Brian Mustard**, Partner, International Tax and Transfer Pricing, KPMG; **Michael O'Connor**, Senior Vice-President, Tax, Sun Life Financial; **Steve Orsini**, Deputy Minister, Ontario Ministry of Revenue, and Associate Deputy Minister, Ontario Ministry of Finance; **Nick Pantaleo**, Partner, Canadian National Tax Services, PwC; **William B.P. Robson**, President and Chief Executive Officer, C.D. Howe Institute; **Michael Smart**, Professor of Economics, University of Toronto; **Geoff Trueman**, Director, Business Income Tax Division, Department of Finance Canada. (Toronto)
Co-presented with the Canadian Tax Foundation

Canada's Pipeline and Energy Transportation Infrastructure: Enabling Canada's Strategic Future in Energy Trade

Presenters included: **Ian Anderson**, President, Kinder Morgan Canada; **Chris Badger**, COO, Port Metro Vancouver; **John Bulger**, Former Board Member, National Energy Board; **Jeffrey R. Church**, Professor of Economics, University of Calgary; **Dave Collyer**, President, Canadian Association of Petroleum Producers; **Joseph Doucet**, Enbridge Professor of Energy Policy, Alberta School of Business, University of Alberta; **Phil Fontaine**, President, Ishkonigan Inc., and Senior Advisor, Ogilvy Renault LLP; **Roger Gibbins**, President & CEO, Canada West Foundation; **Brenda Kenny**, President & CEO, Canadian Energy Pipeline Association; **Alex Pourbaix**, President, Energy and Oil Pipelines, TransCanada Corporation; **Ed Whittingham**, Executive Director, Pembina Institute; **Paul Ziff**, CEO, Ziff Energy Group; **Jim Prentice**, Senior Executive Vice-President and Vice Chairman, CIBC. (Banff)
Co-Presented with the University of Alberta School of Business.

Sponsored by the Canadian Association of Petroleum Producers, the Canadian Energy Pipeline Association, and Nexen

The Canadian Payments System: Ensuring Competition, Innovation and Stability

Jim Baumgartner, President & CEO, Moneris; **Terry Campbell**, President & CEO, Canadian Bankers Association; **Oliver Jenkyn**, Group Executive, North America, Visa Inc.; **Guy Legault**, President & CEO, Canadian Payments Association; **Patricia Meredith**, Chair, Task Force for the Payments System Review; **Neil Quigley**, Deputy Vice-Chancellor, Victoria University of Wellington; **Steve Rauschenberger**, President, Rauschenberger Partners LLC, and Former Illinois State Senator; **William B.P. Robson**, President & CEO, C.D. Howe Institute; **Jack Selody**, Special Advisor, Promontory Financial Group Canada; **Catherine Swift**, President & CEO, Canadian Federation of Independent Business; and **Todd Zywicki**, Foundation Professor, School of Law, George Mason University. (Toronto)

Sponsored by Visa

SIGNATURE POLICY EVENTS IN 2011

In addition to offering policy conferences and roundtables in key centres across Canada, the Institute expanded its program offerings in 2011, and invited members to signature policy dinners in Montreal, Toronto, and Calgary. These sponsored events provided a focal point for high-level, off-the-record policy discussions in Canada's three leading economic centres. The Institute thanks the sponsors of these events for helping to make them possible.

Director's Dinner: "Too Big To Bail? Sovereign Debt Defaults and the Global Consequences"

Featured speaker: **Willem Buiter**, Chief Economist, Citigroup, and International Fellow, C.D. Howe Institute, Toronto, May 19, 2011.

Sponsored by Bennett Jones LLP

The Case for Trade – Why it is Key to the Future of Canadian Prosperity

Featured speaker: **Louis Lévesque**, Deputy Minister, International Trade, Foreign Affairs and International Trade Canada, Toronto, September 22, 2011.
Sylvia Ostry Lecture

Calgary Special Policy Dinner on Canada-US Energy Policy

Featured Speaker: **Gary Doer**, Ambassador of Canada to the United States of America, Calgary, October 28, 2011.

Sponsored by GE

Benefactors Lecture: "Therapy or Surgery? A Prescription for Canada's Health System"

Featured Speaker: **Don Drummond**, Matthews Fellow/Distinguished Visiting Scholar, Queen's University, Co-Chair, C.D. Howe Institute Fiscal and Tax Competitiveness Council, Toronto, November 17, 2011

Sponsored by Briar Foster

The Quebec Economic Summit Dinner Featuring Top Bank Economists

Featured speakers: **Craig Alexander** (TD), **Warren Jestin** (Scotiabank), **Stéfane Marion** (National Bank), **Douglas Porter** (BMO), **Avery Shenfeld** (CIBC), and **Craig Wright** (RBC). Montreal, November 23, 2011

Sponsored by Osisko

Finance Canada's View of the Financial Outlook

Featured Speaker: **Michael Horgan**, Deputy Minister, Finance Canada, Toronto, December 5, 2011
Mintz Economic Seminar

Sponsored by HSBC

Willem Buiter, Chief Economist, Citi, International Fellow, C.D. Howe Institute.

The Institute expanded significantly the Osler, Hoskin & Harcourt Lecture Hall.

Patricia Kearns and **Briar Foster** at the 2011 Benefactors Lecture, which featured a presentation on healthcare reform by noted economist Don Drummond. Foster, a longtime member and supporter of the Institute, was exclusive sponsor of the 2011 Benefactors Lecture and will be sponsoring the Lecture in 2012. The event is a highlight on the Institute's busy calendar – it provides an opportunity for the Institute to say "thank you" to the members and friends who make its policy work possible.

Benefactors, Development and Giving

Member and subscriber support let the Institute mobilize outstanding scholars, push innovative ideas and foster sharper, smarter responses to current and future challenges.

- Annual memberships and subscriptions provide the backbone of our revenue and make our work possible.
- Targeted major gifts enable supporters to bolster the Institute's research and dissemination capacities in specific areas of interest. They complement the annual membership campaign, strengthening the Institute and enabling it to recruit scholars and support programs that enhance its ability to develop innovative solutions to policy challenges. The Institute's policy impact would not have been possible in the absence of support from our contributors.
- A number of individuals gave personal gifts in 2011 that significantly advanced the Institute's work. Special thanks are due to Elyse Allan, James C. Baillie, E. Kendall Cork, Edmund Clark, David Dodge, Blake C. Goldring, George A. Fierheller, Briar Foster, Rebecca and John Horwood, Julian Hutchinson, Donald K. Johnston, Henry N.R. Jackman, Michael M. Koerner, Gilles G. Ouellette, and Leonard Waverman.

An increase in gifts and event sponsorships enabled the Institute to enhance its conference and research programs in 2011. The Institute's strong performance would not have been possible in the absence of support from the following contributors:

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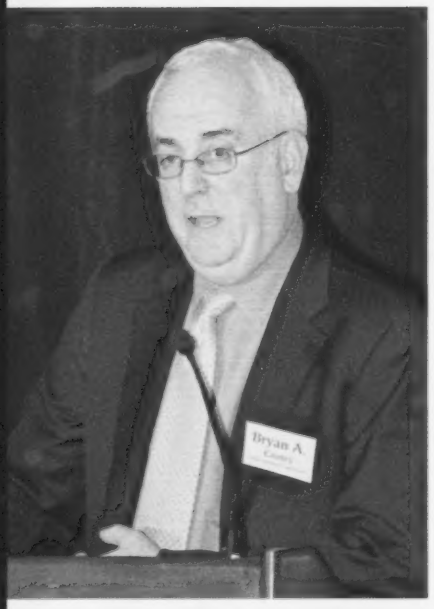

Bryan A. Coates, VP Finance & CFO of Osisko, exclusive sponsor of the Institute's Quebec Economic Summit held in November 2011.

The Funded Scholars Program

The Funded Scholars Program enables the C.D. Howe Institute to engage leading scholars. Chairs are selected on the basis of their record of scholarship and supported by the generous donations of several organizations. We would like to acknowledge the following organizations and individuals who participated in the Program during 2011.

- Roger Phillips for his support of John Richards, Phillips Scholar in Social Policy;
- The donors to the Institute's Monetary Policy Initiative for their support of David Laidler as a Fellow-in-Residence;
- The donors to the Institute's Monetary Policy Initiative for their support of Christopher Ragan as the David Dodge Chair in Monetary Policy.

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KPMG LLP
La Jolla Resources International Ltd.
Lehigh Hanson Materials Limited
LifeScan Canada Ltd.
Maclab Enterprises
Manulife Financial
Maritz Canada Inc.
Max Bell Foundation
McCain Foods Limited
McCarthy Tétrault LLP
MD Physican Services
Medisys Health Group
Mercer
Metro Inc.
Minto Group Inc.
Monarch Corporation
Monitor Group
Morgan Meighen & Associates
Morneau Shepell
Mosaic Canada
Mullen Group Ltd.
National Bank of Canada
NAV CANADA
Nexen Inc.
OGRA
Onex Corporation
Ontario Centres of Excellence Inc.
Ontario Energy Board
Ontario Municipal Employees Retirement System (OMERS)
Ontario Power Generation Inc.
Ontario Society of Professional Engineers
Ontario Teachers' Pension Plan
Ontario Trillium Foundation
Open Text Corporation
O'Regan's Automotive Group
Osler, Hoskin & Harcourt LLP
Perpetual Energy Inc.
Pfizer Canada Inc.
Pirie Foundation
Potash Corporation of Saskatchewan Inc.
Power Corporation of Canada
Procom Consultants Group Ltd.
Procter & Gamble Inc.
Promontory Financial Group Canada
Property and Casualty Insurance Compensation
PwC
RBC Financial Group
Rio Tinto Alcan
Rogers Communications Inc.
SaskTel
Scotiabank
Shell Canada Limited
SNC Lavalin Group Inc.
Société générale de financement du Québec
Standard Life
Stewart McKelvey
Sun Life Financial Inc.
Suncor Energy Inc.
Swiss Bankers Association
Talisman Energy Inc.
TD Bank Group
Teck Resources Limited
Telus
The Canadian Council for Public-Private Partnerships
The Canadian Institute of Chartered Accountants
The Great-West Life Assurance Company, London Life Insurance Company and Canada Life
The Institute for Competitiveness and Prosperity
The Investment Funds Institute of Canada
The Mezzanine Group
The Princess Margaret Hospital Foundation
The Railway Association of Canada
The Toronto Board of Trade
ThyssenKrupp Canada, Inc.
Towers Watson
TransAlta Corporation
Transat A.T. Inc.
TransCanada Corporation
UPS Canada
Vale Canada Limited
Via Rail Canada Inc.
Visa Canada
Viterra
Walton Group of Companies
Wawanesa Insurance
Weston Forest Products Inc.
Y&R
Zurich Canada

Senior Fellows **Grant L. Reuber** and **John W. Crow** at the 2011 Benefactors Lecture.

Brenda Jones, Manager of Member Communications, Canadian Association of Petroleum Producers, and **Sarah Schwann**, Senior Analyst, Government Relations, Nexen Inc.

The views expressed in C.D. Howe Institute publications do not necessarily reflect those of its members.

Report of the Independent Auditor on the Summary Financial Statements

To the Members of C.D. Howe Institute

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2011, and the summary statements of revenue and expenses and changes in fund balances for the year then ended, and related note, are derived from the audited financial statements of the C.D. Howe Institute (the "Institute") for the year ended December 31, 2011. We expressed an unmodified audit opinion on those financial statements in our report dated May 23, 2012. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Institute.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in the Note.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Institute for the year ended December 31, 2011 are a fair summary with those financial statements, in accordance with the basis described in the Note.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 23, 2012

C.D. Howe Institute
(Incorporated under Part II of the *Canadian Business Corporations Act*)
Summary balance sheet
as at December 31, 2011

	2011	2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	**3,244,849**	3,123,858
Short-term investments	**3,165,219**	3,070,921
Accounts receivable	**161,983**	319,726
Prepaid expenses	**36,915**	63,998
	6,608,966	6,578,503
Capital assets	**759,195**	390,462
	7,368,161	6,968,965
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**203,136**	124,467
Deferred revenue	**924,855**	1,440,180
	1,127,991	1,564,647
Long-term		
Deferred capital contributions	**309,693**	333,657
Deferred rent	**237,423**	234,527
	547,116	568,184
	1,675,107	2,132,831
Fund balances		
Invested in capital assets	**449,502**	56,805
Operating	**1,071,886**	1,401,388
Endowment funds	**4,171,666**	3,377,941
	5,693,054	4,836,134
	7,368,161	6,968,965

C.D. Howe Institute
Note to the summary financial statements
December 31, 2011

Basis of the summary financial statements

The C.D. Howe Institute (the "Institute") has prepared these summary financial statements to be included as part of their annual report. The Institute has determined that the level of aggregation presented is adequate for the readers of the annual report.

The audited financial statements can be obtained from the Institute.

C.D. Howe Institute
Summary statement of revenue and expenses
year ended December 31, 2011

	2011	2010
	$	$
Revenues		
Contributions and subscriptions	**3,167,758**	2,859,299
Meetings revenue	**461,760**	527,894
Interest income	**28,497**	12,798
Endowments	**9,412**	15,664
Sale of publications and sponsorships	**22,306**	50,236
Contract revenue	**23,046**	10,987
	3,712,779	3,476,878
Expenses		
Research, administrative and project expenses	**3,552,821**	3,322,963
Amortization	**95,928**	95,400
	3,648,749	3,418,363
Excess of revenue over expenses for the year	**64,030**	58,515

C.D. Howe Institute
Summary statement of changes in fund balances
year ended December 31, 2011

				2011	2010
	Invested in Capital Assets Fund	Operating Fund	Endowment Funds	Total	Total
	$	$	$	$	$
Balances, beginning of year	**56,805**	**1,401,388**	**3,377,941**	**4,836,134**	4,269,639
Excess of revenue over expenses for the year	**(71,964)**	**135,994**	**–**	**64,030**	58,515
Changes to unrealized (losses) gains on short-term investments	**–**	**–**	**(172)**	**(172)**	7,774
Unrealized (losses) gains on short-term investments	**–**	**(835)**	**(2,595)**	**(3,430)**	172
Contributions received during the year	**–**	**–**	**754,446**	**754,446**	491,351
Excess of endowments revenue over expenses	**–**	**–**	**42,046**	**42,046**	8,683
Purchases of capital assets	**464,661**	**(464,661)**	**–**	**–**	
Balances, end of year	**449,502**	**1,071,886**	**4,171,666**	**5,693,054**	4,836,134

During the year, the endowments earned investment income of $51,458 (2010 – $24,347). Of this amount, $1,537 (2010 – $2,164) was spent on events and $7,875 (2010 – $13,500) on a Scholar. The $9,412 (2010 – $15,664) is included in the summary statement of revenue and expenses as endowments revenue and in research, administrative and project expenses, respectively. The unspent amount for the year of $42,046 (2010 – $8,683) is included in the Endowment Fund balance.